Financial assistance to Gujarat

*134. SHRI KANJIBHAI PATEL:
SHRI KESHUBHAI S. PATEL:

Will the Minister of FINANCE be pleased to refer to answer to Unstarred Question 4326 given in the Rajya Sabha on the 15th May, 2007 and state the present position for the approval of financial assistance to the State Government of Gujarat for reconstruction of infrastructure sectors damaged due to floods of 2005 and 2006?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): The Government of Gujarat had submitted a proposal seeking financial assistance of Rs. 2936.26 crore for long term rehabilitation and reconstruction of damaged infrastructure in the wake of floods in 2005. The proposal has been examined by the Planning Commission and the Inter-Ministerial Committee (IMC). The assessment of IMC has been placed before the High Level Committee (HLC) for its consideration.

The State Government has not submitted any proposal to the Government of India, seeking financial assistance for long term rehabilitation and reconstruction of damaged infrastructure during floods of 2006.

Calculation of prime lending rate

*135. SHRIMATI N.P. DURGA: Will the Minister of FINANCE be pleased to state:

(a) details of direction given by the RBI to banks with regard to change in the manner of calculating the Prime Lending Rate;.

(b) whether RBI has also made certain important observations with regard to PLR in its recent Report on Currency and Finance;

(c) if so, the details thereof; and

(d) how the above direction of the RBI helps the agriculturist, small unit-holders and others to get loan at a lower rate of interest?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) The Reserve Bank of India (RBI) has issued an update Master Circular on Interest Rates on Advances on July 2, 2007 to all the Scheduled Commercial Banks (excluding RRBs), which is available in their website (*www.rbi.org.in*).

As per their instructions, the banks are to be guided by the following considerations while determining the Benchmark Prime Lending Rate (BPLR), in order to enhance 'transparency in banks' pricing of their loan products as also to ensure that the BPLR truly reflects the actual costs:

(i) Banks should take into account their (i) actual cost of funds, (ii) operating expenses and (iii) a minimum margin to cover regulatory requirement of provisioning/capital charge and profit margin, while arriving at the benchmark PLR. Banks should announce a Benchmark PLR with the approval of their Boards.